

**U.S. Department of Labor**

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March 2, 2007

Ms. Karlene Knisley, Business Manager  
International Brotherhood of Electrical Workers, AFL-CIO  
Local 1306  
3411 N. Woodford Street  
Decatur, IL 62526

Re: Case Number: [REDACTED]

Dear Ms. Knisley:

This office has recently completed an audit of IBEW Local 1306 under the Compliance Audit Program (CAP) to determine your organization's compliance with the provisions of the Labor-Management Reporting and Disclosure Act of 1959 (LMRDA). As discussed during the exit interview with Karlene Knisley on January 26, 2007, the following problems were disclosed during the CAP. The matters listed below are not an exhaustive list of all possible problem areas since the audit conducted was limited in scope.

**Recordkeeping Violations**

Title II of the LMRDA establishes certain reporting and recordkeeping requirements. Section 206 requires, among other things, that adequate records be maintained for at least 5 years by which each receipt and disbursement of funds, as well as all account balances, can be verified, explained, and clarified. As a general rule, all records used or received in the course of union business must be retained. This includes, in the case of disbursements, not only the retention of original bills, invoices, receipts, and vouchers, but also adequate additional documentation, if necessary, showing the nature of the union business requiring the disbursement, the goods or services received, and the identity of the recipient(s) of the goods or services. In most instances, this documentation requirement can be satisfied with a sufficiently descriptive expense receipt or invoice. If an expense receipt is not sufficiently descriptive, a note can be written on it providing the additional information.

In the case of receipts, the date, amount, purpose, and source of all money received by the union must be recorded in at least one union record. Bank records must also be retained for all accounts.

The audit of Local 1306's fiscal year end December 31, 2005 records revealed the following recordkeeping violations:

#### **Automobile Expenses**

The union officer who was assigned a union-owned automobile failed to maintain a mileage log documenting the business use of the union vehicle. In the case of a union-owned vehicle, a log is required to be maintained for the union vehicle that documents the date, number of miles driven, and business purpose of each use.

#### **Other**

Adequate documentation was not retained for some purchases that were made on union-owned credit cards. However, none of the purchases that lacked supporting documentation were in excess of \$60.00. Local 1306 failed to retain adequate documentation for eight purchases that totaled \$249.11. The credit card purchases that lacked adequate documentation appeared to be for the procurement of the following items: gasoline, computer software, and an arbitration panel request.

#### **Conclusion/Recordkeeping Violations**

As agreed, provided that Local 1306 maintains adequate documentation as discussed above in the future, no additional enforcement action will be taken regarding these violations.

#### **Reporting Violations**

The CAP disclosed a violation of LMRDA Section 201(b), which requires labor organizations to file annual financial reports accurately disclosing their financial condition and operations. The Labor Organization Annual Report (Form LM-3) filed by Local 1306 for fiscal year ending December 31, 2005, was deficient in the following areas:

#### **Accounting Method**

Local 1306 failed to prepare the Form LM-3 for fiscal year end December 31, 2005 using the cash method of accounting on a consistent basis. For example, Item 38 (dues receipts) was understated by \$7,022.30 because dues that were refunded during the course of the audit year were not counted as receipts and the refunds of such dues were not recorded in Item 54 (Other Disbursements). In addition, Item 47 (Per Capita Tax Disbursements) was overstated by \$12,950.00 because the 4<sup>th</sup> quarter IBEW per capita tax payment for 2005 was recorded in the fiscal year end December 31, 2005 Form LM-3 even though the per capita payment was not actually disbursed until January 6, 2006.

### **Automobile Expenses**

Disbursements for the operation and maintenance of the union automobile were not properly recorded. The LM-3 instructions for Item 24 require that the total maintenance and operating costs of any automobile owned or leased by your organization and assigned to an officer regardless whether the use was for official business or for the personal benefit of the officer must be reported in Column E of Item 24 (Allowances and Other Disbursements). Such disbursements appear to have been erroneously reported in Item 54 (Other Disbursements).

### **LM-3 Item 24 (All Officers and Disbursements to Officers)**

*Officers not listed*

The names of some officers and the total amounts of payments to them or on their behalf were not reported in Item 24 (All Officers and Disbursements to Officers). Specifically, payments made to Chelsea Nichols, Vice-President, and the entire Executive Board were not reported in Item 24. Such payments appeared to have been erroneously reported in Item 46 (Disbursements to Employees).

*Some payments to officers not properly reported*

Local 1306 failed to include some indirect disbursements for officers' meals in Column E of Item 24 (Allowances and Other Disbursements). Such payments appear to have been erroneously reported in Item 54 (Other Disbursements).

### **Conclusion/Recordkeeping Violations**

I am not requiring that Local 1306 file an amended Form LM-3 for fiscal year ending December 31, 2005 to correct the deficient items, but as agreed, Local 1306 will properly report the deficient items on all future reports filed with this agency.

### Other Issues

The audit disclosed the following other issues:

#### **Bonding**

As discussed during the exit interview, Local 1306 did not have any supporting documentation for their bonding coverage as of January 1, 2007, yet you were able to provide a copy of the bonding certificate that expired on December 31, 2006. You provided a letter from the International Union dated February 12, 2007 that confirmed no break in bonding coverage from December 31, 2006 through January 1, 2007. In addition, the letter confirmed that Local 1306's bond carries a \$45,000.00 coverage, which appears to be an adequate amount of coverage.

Please submit a copy of the bonding certificate that is effective as of January 1, 2007 as soon as the certificate is received from your international office. Please send the bonding certificate via facsimile to the fax number that appears on page 1 of this letter.

#### **Lost Time**

The audit revealed that Local 1306 did not receive a copy of employer time-off request forms prior to disbursing lost time payments to a union officer or union member. Such documents are the only way to verify that a union officer or union member was actually absent from work during the time in which the officer or member was attending to union business. Our agency recommends that Local 1306 obtain employer time-off request forms as a part of supporting documentation for lost time payments.

The audit also revealed that Local 1306 did not utilize a lost time voucher system in order to clearly identify the date, time, and purpose of lost time. Our agency recommends that Local 1306 develop a lost time voucher system, especially when lost time payments are combined with wages or reimbursed expenses.

#### **Union Vehicle Policy**

During the audit, you advised that Local 1306 does not have a union policy regarding the personal use of a union vehicle. Our agency recommends that Local 1306 pass a continuing resolution in the meeting minutes regarding guidelines on the personal use of a union vehicle.

Ms. Karlene Knisley  
March 2, 2007  
Page 5 of 5

**Electronic Records Safeguard**

During the audit, you advised that Local 1306 maintains their backup copy of QuickBooks in the union office. Our agency recommends that Local 1306 stores a backup copy of QuickBooks in a safe location outside of the union hall to protect against fire or theft.

I want to extend my personal appreciation to IBEW Local 1306 for the cooperation and courtesy extended during this compliance audit. I strongly recommend that you make sure this letter and the compliance assistance materials provided to you are passed on to future officers. If we can provide any additional assistance, please do not hesitate to call.

Sincerely,



Investigator

cc: Lucinda Wyatt, Local 1306 President